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Bank of the United States (1816-1836)

Memorial of the Bank of the United States...

Washington

1821

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Memorial of the Bank of the United States, and accompanying documents. January 17, 1821. Printed by order of the Senate of the United States. Washington, Printed by Gales & Seaton, 1821.
23 p. 22cm.

Another copy in Special Collections (Seligman)
1821.

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MEMORIAL

OF THE

BANK OF THE UNITED STATES,

AND

ACCOMPANYING DOCUMENTS.

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BOX 899

JANUARY 17, 1821.
Printed by order of the Senate of the United States

WASHINGTON:
PRINTED BY GALES & SEATON.
1821.

Bancroft

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MEMORIAL

To the honorable the Speaker and Members of the House of Representatives of the United States,

The memorial of the President and Directors of the Bank of the United States, on the part of the Stockholders of the said Bank,

RESPECTFULLY SHEWETH:

That the institution of which they are managers is laboring under several grievances, not only injurious to the bank, but, as they respectfully conceive, to the nation also, which call for legislative relief. Some of these arise from the original omission of appropriate legal enactments; others, from certain provisions of the charter, not suited to the condition and circumstances of the bank; and one, of very important character, from a regulation concerning the fiscal receipts of the government of the Union. For the remedy of these evils, the stockholders of the Bank of the United States can only look to Congress: Under the pledge of its sacred faith, and by its authority, the institution was established, and their natural refuge is, therefore, to the national legislature, for that relief and protection which the citizen has a right to claim of his government. Of that body they know they can obtain nothing forbidden by the sound policy of the state; and could their interest dictate a request inconsistent with that policy, they would forbear to make it; but it is under a conviction of the justness and correctness of their requests, that, as citizens, and as a portion of those whose prosperity constitutes the public good, they respectfully ask the attention of Congress to the grievances under which they labor. They ask relief, only if it be found to be consistent with the public welfare; and if it be, they will, they are convinced, not ask in vain; while they feel satisfied that they will be able to shew to your honorable body not only that their claims are consistent with it, but that they are eminently calculated to advance and promote it.

Your petitioners are aware that strong prejudices have existed against the Bank of the United States, and certainly there has been abundant cause for more than prejudice against some of the acts which have marked the progress of the institution. But

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these acts have been offences, not against the public or the government, (except as it is a stockholder,) but against the innocent and undesigning stockholders, on whose behalf your petitioners now ask protection and relief. Offences of inferior turpitude and of inferior public injury, under almost all governments, have been restrained by severe punishments. By the charter granted by the Congress of the Confederation to the Bank of North America, it was proposed to make some of these offences felony, and they were accordingly made felony by the several acts of the legislature of Pennsylvania. But though, in the progressive experience of this institution, one example of infidelity, peculation, and fraud, has produced another, and that another and another, and though it has been defrauded of millions of dollars, it is yet entirely without the preventive protection of effective and appropriate penal laws. Will it be believed, too, that these acts, so injurious to the bank; that these losses, so afflictive to the innocent and suffering stockholders, have excited against the institution the prejudices which your petitioners now so anxiously deprecate? Yet it is a truth, that those are the sole causes of which your petitioners have any knowledge. For they cannot believe that it is considered a crime, at least not in the eyes of that legislature from whom they purchased their privileges, for the stockholders to have associated together and to have placed their property under the protection of the most solemnly considered act that has marked the existence of the government. An act, the validity of which, all political denominations of men in the country, (at long intervals of time, giving ample room for reflection and investigation,) and all departments of the government, have repeatedly and solemnly considered and confirmed. The usefulness of the bank to the government and to the country—its purifying effect upon, and sustaining aid of the currency—its support of the public credit, and its general benign influence on the interests of every solvent man and every solvent institution in the country, if not readily acknowledged, your petitioners believe can be satisfactorily shewn. But, more effectually to dissipate the public prejudices, if any remain, your petitioners entreat your honorable body to inquire who now are the persons really interested in this much injured institution? They will be found to be, with few exceptions, original subscribers, who have continued to hold their stock, alike ignorant and innocent of the frauds to which their interests were a prey—or they are unfortunate purchasers, who, deceived by the false appearances which the affairs of the institution exhibited, gave an advance of from 20 to 50 per cent. on their purchases. Among those now interested, are all the classes of human helplessness; and among the funds involved in the fate of the institution are those of charity and religion to no inconsiderable amount. Of these facts your petitioners are ready to give satisfactory proof to your honorable body, and crave to be permitted to do so, if it shall be doubted or deemed material.

Under these circumstances your petitioners will proceed, succinctly, to state the particular objects on which they respectfully request relief and protection from Congress.

First. The charter provides that no director, except the President, shall be eligible for more than three years in four. This provision has, in practice, been found to deny to the bank the services of those men who are best qualified to administer its affairs with safety and profit to the institution. It is a provision not contained, your petitioners believe, in the charter of any respectable banking institution. It was not contained in the charter of the former Bank of the United States; and, it would seem that the provision of the charter which forbids the re-election of more than three fourths of the directors in office, at the time of an annual election, (to which your petitioners have no objection) is calculated to effect all the ends of the embarrassing provision from which your petitioners now crave relief.

Second. At present there is no authority, under the laws of Congress, to punish any fraud, peculation, or violation of trust, committed by any of the officers of the bank or its offices; and, on this point, the state laws are also supposed to be deficient. Nor is there any adequate civil remedy for the bank against its faithless agents, who may, the hour before their dismissal from office, while the investigations necessary to their removal indicate to them that result, take the property of the bank from its vaults and withhold it, spend it, and, if they please, give it in payment to their other creditors, in exclusion of the bank, from which it has been thus purloined.

Third. Under the charter, it has been doubted whether the bank has power to authorize the issuing of notes not signed by the President, and countersigned by the Cashier. The labor and the time necessary to sign notes for the bank and all its branches are much greater than either of those officers can bestow upon that object; and hence the bank has been unable to put in circulation a sufficient amount of notes of the smaller denominations, which the public most want, and which are best calculated to serve the interest of the bank. If authority were given to the board, from time to time, to appoint one or more persons to sign notes of the smaller denominations, at the parent bank, under the superintendence and direction of the board and its principal officers, there would be no public risk, and it would afford all the aid which your petitioners desire on the point.

Fourth. Under the 14th section of the act incorporating the bank, the bills or notes of the bank, originally made payable, or which shall have become payable, on demand, are made receivable in all payments to the United States, unless otherwise directed by act of Congress. Under this regulation, the power of the bank to make its capital available, either for its own profit, or the public good, is greatly abridged. The sphere of its circulation is limited to those places where it is least wanted, and made to exclude those where it would be eminently useful, while the whole currency of vast sections of the country is thereby frequently greatly embarrassed.

Your petitioners forbear to enter, at this time, into a further exposition of the grounds of their application for relief on these points; but respectfully hope and request that your honorable body will so dispose of the subject as to give them an opportunity of manifesting

the justice, as it regards the bank, and the policy, as it regards the public, of the relief and protection which they respectfully claim.

On behalf of the board of directors.

L. CHEVES, *President.*

Attest, THOS. WILSON, *Cashier.*

DOCUMENTS, &c.

The committee of the Bank of the United States beg leave, respectfully, to represent to the committees of Congress, to whom the memorial of the bank has been referred, that the directors of the bank were forbidden, by the nature of the instrument, from developing, in their memorial, at length and in detail, the particulars of the grievances under which the establishment labors, or the reasons which, in their opinion, authorize and recommend the measures of relief which they seek. To supply this deficiency the committee now desire, respectfully, to bring before the committees of Congress some of those details and reasons, which they will do as briefly as the nature of the subject will permit. They will notice the several points in the order in which they are stated in the memorial.

1. *The ineligibility of directors who have served three years in succession.*

On this point the committee beg leave to consider, 1st, the evil; 2d, the relief desired; 3d, the possible objections to that relief.

1. The memorial states, very truly, that the most competent and safe men cannot generally be induced to accept seats at the respective boards of the bank and its offices. The directors of such an institution ought to be, if possible, of undoubted credit, great experience, and extensive business. Neither integrity nor abstract talent, nor both, are enough. They ought, at least a considerable portion of them, to be men extensively engaged in business, and well acquainted with men of business. Such men not only are better qualified to govern the affairs of the bank, but give to it their own business, which is valuable, not merely on account of its extent, but also on account of its character, and attract to it numerous customers like themselves; and thus secure to it, in the aggregate, business to a greater extent, and of a better character, than men of a different description can do. Not to obtain the services of such men, is to fail in managing the institution to the best advantage, and to limit its usefulness and its benefits, both public and private. But, under the existing provisions of the charter, such men decline, too generally, the station of directors of the bank and its branches, when they can, as they always can, obtain seats at the boards of respectable local

banks, from which they will not be periodically removed. The reasons of their preference are obvious. It is desirable with such men always to have seats at the boards of respectable banks, and to remove them periodically is to suspend periodically the advantage which they seek. But, besides the motive of interest or convenience which may govern them, they have a much greater objection to the necessary removal required by the charter of the Bank of the United States, founded on the unpleasant feelings which it excites. The bank may succeed in a first appointment, but at the end of one year, it displaces one fourth. This offends those who see themselves removed, without admitting or believing that the preference which excludes them is just, and places them in a light of inferiority which mortifies their pride, and often provokes their resentment: nor are these feelings assuaged or subdued by exhibiting to them the original charter, which renders it necessary. This, however, it is admitted must be borne to meet the demands of a prudent jealousy. But the evil increases almost in geometrical proportion, as the process of exclusion annually occurs, until, at the quadrennial appointments, it ends in a state of things absolutely incompatible with the good management of the bank; for, as many of the best directors, who were first appointed, will be retained as the law permits, and, on the fourth appointment, the whole of them will be excluded, leaving but one fourth of the preceding board; and those who compose that small portion will have had but one year's experience. Undoubtedly, the bank has succeeded, in many instances, in procuring the services of fit men, under all these difficulties; but it has been the result of good fortune, and in opposition to causes which almost necessitate a contrary effect; and it is hoped the national legislature, in its wisdom, will not see fit to leave such great national and private interests to the sport of chance.

The committee find it quite impossible fully to express the magnitude of the practical evil, which can only be understood and felt by marking attentively the operation and progress of it. In their humble opinion, the change desired is altogether indispensable to a prosperous and safe management of the bank.

2. The relief desired is simply, that length of service, which may be considered as expressive of extraordinary usefulness and capacity, shall not create ineligibility. The request does not embrace the government directors, nor any change in the provision which excludes a numerical proportion (one-fourth) of the board of the year preceding each appointment; guards which, the committee cannot doubt, will fully carry into effect the policy and object of the legislature on this point.

3. It is not denied, the committee believe, that the change desired is calculated to promote the interest of the stockholders. But, it is alleged, that banks generally, and particularly this bank, are to be viewed in the double aspect of instruments of private advantage and national good, and that it ought to be shewn, that the tendency of the change is not likely to be injurious in the latter view. The committee do not hesitate to admit the justice of the remarks, but they intreat that it may be considered whether both ends are not attainable by the same means, and whether the means proposed are not the most fit to accomplish both. The desire of the stockholders is to have the institution managed by the most honest and most capable men that can be procured. If this end be attained, the national object will undoubtedly be attained. That commendable jealousy which has before been alluded to may cease to be wise if carried too far. If carried so far as to exclude the most fit men from the management of the bank and its branches, it will, undoubtedly, be carried too far. It may put the affairs of the institution into the hands of designing and unprincipled men; and against their arts the provision of ineligibility from length of service will be a security feebler than a cobweb. If then the committees of Congress shall be satisfied that the provision which renders the best men ineligible periodically, is not calculated to keep the management in the hands of men of the highest integrity and capacity, it will follow, that, to meet the public object, the change ought to be adopted. And as a matter of fact and experience, in the past management of the bank and its offices, it has failed to do so.

2. *The punishment of frauds upon the bank by its officers.*

On the policy and propriety of punishing, by penal enactments, frauds, and peculation, committed on the bank by its officers, the committee deem it unnecessary to enlarge.

3. *On the substitution of Agents instead of the President and Cashier, to sign the notes of the bank, of the lower denominations.*

On this point, also, the committee deem it unnecessary to dwell at much length. The request now made, is unlike that which was some time since made of Congress and refused. That was to delegate the authority required to the officers of the branches, as well as those of the bank. The present is merely to authorize other persons than the President and Cashier, who shall be, however, equally responsible agents, to act under the immediate eye of the mother bank, and only to a limited extent. It has been suggested that the authority which is desired might diminish the securities against counterfeiting. This would be true if the officers designated were to be temporary or numerous, but the objection will be entirely removed if they be not more numerous, and be as permanent in their appointments as the officers who now discharge the same duties. All this the bank, with a view to its own interest and security, would order, should it not be prescribed by law, which, however, may be done. That the authority desired may not be misunderstood, the committee will remark, though it is probably unnecessary, that it is not desired that the bank shall be allowed to issue notes of lower denominations than those now authorized by the charter, nor is it desired that the substituted agents shall be allowed to sign notes of a higher denomination than twenty dollars. Indeed the power may be limited to those of the denomina-

tion of ten dollars and under. Or if it shall be deemed any additional security or a preferable plan to abolish entirely the authority of the president and cashier on this point, and require all the notes of the bank and its offices to be signed by the substituted agents, there can be no objection to it on the part of the bank. Under these guards, it will surely appear, that there can be no objection of public policy to this request of the bank. But the grant of it is required by the public interest as well as the convenience of the bank. It will scarcely be questioned that the extension of the circulation of the notes of the Bank of the United States of the lower denominations would be a public benefit. This, however, cannot be effected, if it be required that the president and cashier shall sign each note. The duties of each of these officers, in relation to the mother bank alone, including the transfer department of the bank and the loan office, and a complicated voluminous daily correspondence, are greater than are assigned to any like officers in the United States; but when to these are added a minute and vigilant superintendence of the business, accounts, and general management of seventeen offices, the aggregate constitutes a mass of labor that can leave no time for signing notes.

4. *Circulation of the notes of the Bank of the United States.*

No subject connected with the currency can be of more importance than the circulation of the notes of the Bank of the United States. They may be made infinitely useful in purifying, sustaining, and increasing, the sound currency of the Union. But they are but partially so at present, and it is not in the power of the bank, so long as they are receivable by the government, at all points where they may be tendered, instead of being received only where they may be payable to make them co-extensively useful with the Union. Thus, for example, the notes of the western and southern offices are receivable in Philadelphia, New York, Boston, &c. in payment of all debts to the government. The bank is not bound to pay to the government except where its notes are payable, though they may be received elsewhere, but it is bound to transfer the funds of the government from place to place, and could only gain a little time, perhaps with inconvenience to the government, by refusing to pay where they may be received. It has accordingly always,—except for a moment when the safety of the bank rendered it necessary to ask the time to which it is entitled, paid where the notes were received, without reference to the places where they were payable. The result is very embarrassing to the bank and frequently very distressing to the community. There are some facts which it will be proper to state, before we present a more detailed view of the evil.

The exchanges between the west and the Atlantic are always against the former, which is a large debtor, habitually, to the latter. The exchanges between the north and the south run for one portion of the year against the latter, and for another in its favor. When the exchanges are unfavorable to the south and west, the notes of

the southern and western branches all pass to the north as a substitute for exchange. They are equal to cash, or very nearly so, in all the principal cities north of the Potomac. They are so because they are receivable in payment of duties to the government, the portion of which payable to the north of the Potomac in any quarter of the fiscal year of 1819, was, taking that year as an example, nearly as much as the whole circulation of the Bank of the United States at the same time, and of course kept up a steady demand for the notes of the southern and western branches. The union of this demand with the course of exchanges, draws the whole of the notes of the western offices to the Atlantic, and, at particular seasons of the year, the greater part of the notes of the southern offices to the north. The revenue collected to the south being comparatively small, there can never be any material reflux of their notes, because they will be absorbed by the northern demand before the exchanges turn, and the balance of payments being always against the west, there is never any towards that quarter. We will now proceed to enumerate some of the evils resulting from the receipt of the notes of the bank and its branches in this manner and under these circumstances.

1st. It greatly deranges and distresses the money market, both of the places where the notes are received and where they are payable. The bank at Philadelphia and the offices at New York and Boston did not receive less than between five and six millions of the notes of the offices south and west of them, in the short period of fourteen months, exclusive of the notes of the office at Washington. These points were obliged to pay the government the amount of these notes, and in vain sought for speedy re-imbursement from the offices where they were payable. The state of the exchanges which caused this flux of their notes created an inability to re-imburse the offices which had received them until the exchanges turned. The offices receiving them were of necessity obliged to curtail their business suddenly, to provide the means of paying them. Accordingly, the curtailments at Philadelphia, New York, and Boston, within the same period, amounted to upwards of 4½ millions of dollars, and exhausted almost the whole of the capital placed at these points. The capital of New York and Boston united, was, at some periods, less than nothing. What distress and embarrassment must have been caused by these circumstances, will easily be conceived by those who have reflected on the nature and effects of the sudden withdrawal of a large portion of the active capital of a trading community.

The evil suffered in the community where the notes were thus received and paid, was not all. The offices whose notes were thus received and paid were necessarily called upon to provide the means of reimbursement, and curtailments to a corresponding amount were ordered in them, and like distress and embarrassment produced in the communities where they were located. Double the amount of the notes thus circulated was, in this way, withdrawn from use to provide for their payment. The aggregate curtailments in the fourteen months before alluded to, (from 1st September, 1818, to 1st Novem-

ber, 1819) were upwards of 10½ millions of dollars, and, it is confidently believed, it would not have been necessary to have reduced the discounts of the bank a single cent but for this cause. When these reductions commenced, the discounts were very moderate for the capital of the bank. They did not amount to $ 42,000,000.

Nor is the extent of the distress and embarrassment measured by the immediate effects of the reduction of the discounts of the bank and its branches. These reductions in their operation throw back upon the state banks a portion of their circulation, and reduce their deposits, and they also are obliged to curtail their business and add to the general mass of distress.

The uncertain liability of the bank and its branches, as each is in a certain degree liable to pay the notes of all the rest, and the perpetual alteration of the capital of each, by paying the notes of the others, and having its notes paid by them, put it beyond the power of calculation to determine the extent of business which can be safely done, and leaves the bank to vacillate between the hazards of rashness and the fruitless results of a torpid prudence. To-day a branch shall have a million of capital, and in three months it may be without a cent.

2d. It diminishes and deranges the currency of the whole country. The bank was under the necessity to protect itself from danger, and to avoid charging itself to an unlimited amount with the cost of adverse exchanges, to forbid the offices with which the exchanges were unfavorable, to issue their notes. It, however, issued its own notes, and the offices against which the exchanges did not run, isssued their notes without any limit but that of the demand, yet the circulation of the bank was by this cause greatly decreased. Thus, for example, in the short space of five months, from the 1st April, 1819, to the 30th August, 1819, it was reduced from $ 6,045,428, to $ 3,838,386.

This, however, does not shew the entire extent of the abstraction from the currency which this cause produces. Let it be supposed that the circulation of the bank is four millions of dollars, and that one half of it has been issued by offices to the south and west, and is in use for the purposes of being remitted to the north and east. It is thereby, as much taken out of the currency as if it were destroyed; and it leaves only two millions of *currency* furnished by the bank. But the bank will, probably, have four millions of specie in its vaults, and it cannot safely have less under these peculiar circumstances—this sum, also, is withdrawn from circulation. Thus the bank, not by its fault, but by the necessity which is imposed upon it, has withdrawn four millions of specie from the currency, and has given a substitute in its notes only to the amount of two millions. In this view the currency has been diminished two millions. But even this is not the worst view of it. Let us suppose that the notes of the bank and its branches could not be converted into bills of exchange, and there is no doubt, it is presumed, that, with its high credit, it could easily do what many local banks have accomplished. It could circulate two dollars of its bills for every dollar it should have in its

vaults. Then it is supposed to have four millions of dollars in its vaults, and could circulate eight millions of its notes, which would be equal to gold and silver. It then would have added four millions to the currency, while, at present, it diminishes it to the amount of two millions, making a practical difference of no less than six millions in the sound currency of the country. The view may even be extended, because the Bank of the United States could, had its capital not been deranged by this very cause, have given a greater addition to the currency with the greatest ease and safety, if a demand had existed for it, by increasing its specie. No evil can be greater than a decreasing currency. In the words of a great man, "poverty, and beggary, and sloth," follow in its train.

But this evil of a decreasing currency will not occur as a rare calamity once, perhaps, in a century; but will be renewed with every flux and reflux of the exchanges between the different portions of the country, as long as the bills of the bank of the United States are thus receivable by the government.

3d. It makes the necessary public burthens, in some instances, doubly oppressive. In all the states south of Virginia, and, in nearly, if not all, the western states, the government of the United States does not expend half the revenue it collects; the surplus must be remitted to other points, where it is, necessarily, to be expended. This draws so much of the capital of those states from them, and adds it to the capital of another—New York, for example. This is not a subject of complaint, though it is certainly an evil: But when the revenue of New York is collected in the notes of the offices of the south and the west, perhaps to an equal amount, and drawn from the necessary currency of these portions of the country, the evil produced by the remittance of the surplus revenue becomes intolerable, because the means of making it have been taken away. The capital of these states is fettered by the necessary curtailments of their banks—their currency is diminished—and that state of things which is called a scarcity of money is produced—exchange rises, and when the revenue is to be remitted, the means of doing it no longer exist.

These are the principal disadvantages arising from the receipt by the government of the notes of the bank and its offices where they are not payable. There are many others, some of which are scarcely inferior in importance. Among them, none, perhaps, are more worthy of notice than the disadvantages suffered in those very particulars, in which it is supposed the present practice is beneficial to the government and the country.

The following are the advantages which have been supposed to result from the existing regulation:

1st. It is supposed that the notes form, as at present received, a currency co-extensive in its sphere with the limits of the Union.

2d. That they form a substitute for exchange, free of the usual expense.

3d. That they form a sound currency, especially calculated for the payment of debts to the government.

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Nor is the extent of the distress and embarrassment measured by the immediate effects of the reduction of the discounts of the bank and its branches. These reductions in their operation throw back upon the state banks a portion of their circulation, and reduce their deposits, and they also are obliged to curtail their business and add to the general mass of distress.

The uncertain liability of the bank and its branches, as each is in a certain degree liable to pay the notes of all the rest, and the perpetual alteration of the capital of each, by paying the notes of the others, and having its notes paid by them, put it beyond the power of calculation to determine the extent of business which can be safely done, and leaves the bank to vacillate between the hazards of rashness and the fruitless results of a torpid prudence. To-day a branch shall have a million of capital, and in three months it may be without a cent.

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These are the principal disadvantages arising from the receipt by the government of the notes of the bank and its offices where they are not payable. There are many others, some of which are scarcely inferior in importance. Among them, none, perhaps, are more worthy of notice than the disadvantages suffered in those very particulars, in which it is supposed the present practice is beneficial to the government and the country.

The following are the advantages which have been supposed to result from the existing regulation:

1st. It is supposed that the notes form, as at present received, a currency co-extensive in its sphere with the limits of the Union.

2d. That they form a substitute for exchange, free of the usual expense.

3d. That they form a sound currency, especially calculated for the payment of debts to the government.

1st. The notes of the bank and its offices certainly do possess, as at present received, a credit co-extensive with the limits of the Union, but they are, by no means, invariably of their nominal value at all times and places. From the middle of December to the middle of March or April, the notes of the bank and the northern offices will generally be at a discount in the South. And there will be many other instances of their being under their nominal value. They are, however, always only a commodity where they are not payable, and their price will depend on the quantity in market and the demand for them. The demand for them will depend on the amount of revenue payable in the place where they are held, compared with the quantity in the market. They will serve no purpose of a general currency, against the current of exchange, nor will they ever, under any circumstances, serve the purposes of a currency, in a correct sense, where they are not payable. They will be at par, bear a premium, or be below par, according to circumstances. Even on the spot where they are issued they will frequently bear a premium, unless they are freely issued. In Ohio, for example, they are said to have commanded 50 per cent. premium, in the current money of the state. But the overruling difficulty will be, that the bank, in its own defence, will not issue its notes where they are to be used as a substitute for exchange, and it is only when they can be thus advantageously used that they are supposed to serve the purpose of a general currency; but this will be more properly considered under the next head.

For one object of a general currency, the only one for which such a currency is either desirable or practicable, the Bank of the United States has furnished the most admirable expedient that has ever existed in any country; we mean a currency for the use of travellers. By making its five dollar bills payable at all its branches, there is no spot in the twenty-two states of the Union, at which they will not be preferable to gold and silver; and there will be few places where they will not be instantly convertible into these metals. More in this way need not be done than to multiply them, which the bank will, no doubt, do to the extent of the demand, if the receipt of its other notes by the government, at all points, be not allowed to continue embarrassments which may lessen or destroy its ability to do so.

2d. They do serve the purpose of exchange, and, if they can be drawn directly from the bank or its offices, they will of course be free of the usual expense of exchange. But this very rarely happens. The person who uses them as exchange has generally to pay to some low or cunning dealer in money a premium higher than a just premium on exchange in its accustomed form. And though there was, until the last twenty months, no restraint on the issue of notes by the offices, the bank, unless it choose wantonly to waste the capital of the stockholders, cannot, and will not, in future, suffer its notes, under an adverse state of exchange, to be issued at one office, to create a demand at another, where money is from 5 to 10 per cent. more valuble. This is no part of the duty of the bank, and its burthens are

sufficiently great without adding to them. The bank will, with a view to its own just interests, furnish exchange, whenever and wherever it may have the ability to do so, at fair and reasonable rates.

Exchange, like all other mercantile transactions, but in a more especial degree, depends, for its fair operation, on an unembarrassed money market, on a well adjusted currency, and on a state of established confidence. We have seen that the receipt by the government of the notes of the bank and its branches where they are not payable, has a powerful effect in distressing the money market, diminishing the currency, and impairing the pecuniary ability of the states from whence they are drawn to be used as a substitute for exchange, and we must therefore infer that it is a most unhappy mean of supplying or facilitating exchanges. But why should the bank furnish exchange free of expense? Is not the premium of exchange as justly chargeable on the operations of commerce as any other charge? Why make the bank pay the price of exchange on the funds, with which a cargo may be purchased in South Carolina or Georgia, and not the freight? Why should a desire exist, how can a desire justly exist, to throw this charge on the stockholders of the bank of the United States, rather than on any other portion of the people? They are certainly in a very peculiar degree entitled to the protection of the general government. With it the bank originated. It was in the confidence of its strength, of its faith, and of its wisdom, that the present holders subscribed for or bought the stock they hold. There was, unfortunately, gross and unprincipled gambling in the stock, but not by those who now hold it. Few of them would probably have become interested in the institution, had it not been for the high degree of confidence they placed in the management of an establishment, which was under the immediate eye and protection of the government. The present holders are either original subscribers, innocent of the frauds and speculations which have been so justly the subject of reprobation; or they are injured persons, who have given 20, 30, 40, and 50 per cent. advance for the stock. If this fact be doubted, let it be inquired into.

If the stock list be regarded, it will be seen that large portions of the stock are held by all the classes of human helplessness; by the aged and infirm, the widow and the infant, and by charitable and religious institutions. Are they fit subjects to be charged with the burthens of commerce, and with the equalizing of the exchanges? The people of the United States generally are direct owners of one fifth part of this stock. Is there any reason why they should bear one fifth of this particular charge on commerce? Is this charge to be imposed on the bank, on the ground of enormous profits? That, unfortunately, cannot be pretended. The present stockholders have been heavy losers, and have had their capital diminished, while the bank has paid large pecuniary considerations for its privileges, and has rendered invaluable services to the government. On what ground then, it is respectfully asked, can a desire exist to heap so unreasonable a burthen on this institution? But these pages are not intended to supplicate an exemption from any obligation that can be legally imposed, though it be harsh

or distressing, if it have any foundation in public policy. If it have any foundation in public policy, disregard that fostering protection of the government which the citizen ought to be taught to expect, and which attracted, no doubt, the honest portion of the stockholders to a bank, which was national, in which the government was a partner, and in the management of which it largely participates through its directors. Spare not the fund of charity, the sacred deposite of the church, the bread of the hungry, or the pittance of the wretched. Let these hallowed funds be made to bear exclusively the burthen of paying the expense of a common mercantile operation, if they can be made to serve the end; but before this sacrifice be made, which surely cannot be made without some compunctious visitations, let us dispassionately inquire, Can they be made to serve the purpose intended?

We have said, that if a local circulation were allowed to the bank, it would furnish exchange on fairer terms, and at a lower rate, than is now paid for its notes, that its own interest would limit it to fair and moderate premiums, and that these would be enforced by an unembarrassed money market, a well adjusted currency, and an established confidence. All this we conceive to be demonstrable. Some, however, think differently, and suppose that private competition would be unavailing against the Bank of the United States, and that it might demand exorbitant premiums: but perceiving the evils of driving the bank out of the exchange market, and of the derangements of the money and currency, which we have pointed out, they agree that if a maximum of exchange were established, the notes of the bank should cease to be receivable as at present. The first answer to this suggestion is, that it is absolutely impracticable. What would be the maximum of exchange, if the peace of the country were to become doubtful, and under a great variety of other circumstances, which may be easily imagined? It is useless to multiply examples; the point is too clear to require discussion: forty and fifty per cent. have been paid in the current medium in some parts of the western states for the notes of the branches of the Bank of the United States. If the notes of the branches had been made a local currency from their first establishment, the business of the bank would have been under control, and would, no doubt, have been so regulated, as to have judiciously distributed the capital of the bank. Under such circumstances for example, there is no doubt it would have been the interest of the bank to have sold exchange in the western states, on the Atlantic, at a light premium, and to have received its payment by another operation of exchange on New Orleans, where the products of the western states find their market. The premium of exchange, whatever it may at any time be, will be fixed by uncontrollable causes, which are perfectly just, and almost perfectly accurate. It must inevitably be as equitably and correctly fixed, as the price of wheat, cotton, tobacco, rice, or any other commodity. It is an utter misconception of the principles of exchange, to suppose that the Bank of the United States, with any capital, or any means, for terms of any material duration, could exact an unreasonable premium, *if the currency be sound.* If that be unsound there is no basis for fair dealing, and it is idle to project remedies against unfair practices. The discerning will easily perceive, and the candid will readily admit, that the bank is more likely to suffer than gain in such a state of things: *But if the currency be sound, the rates of exchange can never be excessive,* because they can never materially, and for any considerable length of time, exceed the expense, risk, and loss of interest, incurred by the transportation of specie. The person desirous of purchasing exchange will either have the specie in his hands, or will receive it on demand from some bank whose notes he holds. Who then, will be guilty of the folly of giving much more than the expense of transportation, &c.? There will be competition, too, wherever there is gain, which will be carried on as far, and continued as long, as it continues to be gainful. It is true, that exchanges between some of the states have, for a considerable time past, been very high. But, wherever it was high, the currency was in a greater or less degree unsound; the banks were curtailing, and the currency decreasing. These causes could produce no other result. Had these causes not existed, the premiums of exchange would not have been high. In some places, though the banks pretended to pay specie for their notes, they evaded it in effect. Let specie be paid promptly and bona fide, to-morrow, in places where exchange is high, and the premiums of exchange will immediately fall to rates founded on the charges and risk of transporting specie, and a trifle, perhaps, beyond their aggregate. That this is an inevitable result, it is believed, has never been denied. In England, it was denied that the adverse state of exchanges which that country suffered while its notes were inconvertible, depended on the suspension of cash payments; but, it was never denied that, if the currency could, at any time, be converted into the precious metals, the rates would be governed by the cost of transportation, &c. Let the currency be sound, and the premiums of exchange must be precisely just. To attempt to equalize exchange, or to place the charge of it on any other operations than those which shall cause a demand for it, will be as impracticable as it will be unjust.

3d. The next ground on which the receipt of the notes of the Bank of the United States, at all points, is considered politic, is, that they form a sound currency, in which the revenue may be collected. Any discrimination between the currency in which the demands of the government may be collected, and the general currency of the country, is founded on a very limited view of the subject. The government should never wish to collect its revenue in a better currency than that which its policy provides, and its laws ordain, for the purposes of the citizen. It is a distinction that never can be made with justice. The object of the government should always be to establish a sound currency for the general uses of society, in the advantages of which the revenue should only incidentally participate. If the government does not insure a sound currency to its citizens, it can have no right to demand of them a sound currency. They can only pay in

such currency as they are enabled to procure. The sole inquiry then ought to be, whether the state of the currency is benefitted or injured by the present regulation—this inquiry we have sufficiently attended to already. But, we will go further, and shew that the advantages supposed to be gained in the collection of the revenue is not gained; that it is, on the contrary, defeated by the very regulation which is supposed to afford it. Where the notes of the Bank of the United States will circulate as a currency, they are thrown out in abundance; and, in common with other good currency, are used in payment of the revenue. But, where this is the case, there is no bad currency, and they yield no great *immediate* and local advantage, that is not afforded by other notes. They, no doubt, keep the others in the sound state in which they are found, and that is probably what was really expected when it was supposed they would enable the government to collect its revenue in a sound currency—that construction would be most consistent with good sense and sound policy. But, if the object was, that they should furnish a currency in which the revenue might be collected where there was no other good currency, certainly that object is frustrated by the present regulation. In the western states, for example, the currency is unsound, and the regulation ought to have a tendency to keep the notes of the Bank of the United States there, that the revenue might be collected in them; but the tendency of it is directly the contrary. It is to remove them to a returnless distance from the place where they are wanted.

There is a mistake on this subject, in relation to the local banks, which it may be fit to notice. It is apprehended by some, that, by rendering the circulation of the offices of the Bank of the United States in a certain degree local, it would diminish and embarrass the circulation of the local banks. If this were true, it would hardly be a sufficient reason to contravene an act of national policy, laying the claims of the Bank of the United States, merely in its corporate capacity, entirely out of the question; but, the effect would be directly contrary where the regulation proposed would be at all operative. To the north of the Potomac it would have no operation at all, or none worth consideration; there the bills of the Bank of the United States now remain, in common with the notes of the local banks, in a local circulation, without inconvenience to these banks, and with all the benefits which were expected from the establishment of the bank to the community. In the south and west, the change proposed, far from being injurious to the local banks, would be greatly beneficial. It is, no doubt, true, that, could they be permitted to furnish the whole circulation, and have that undisturbed by the receipts and remittances of the revenue, they would be gainers by the exclusion of the notes of the Bank of the United States; but, both these advantages they cannot enjoy. If the revenue be collected exclusively in their notes, because the Bank of the United States shall be unable to issue any, they must pay the whole to that bank, as the public receiver, in specie; or, it must remain their creditor, and pay the government the amount without receiving it. There is no alternative.

Not being thrown back again into circulation, the masses of their notes, thus withdrawn in the heavy collections of the government, will not only diminish the aggregate of the general circulation, to the great injury of the country, but will, from destroying its equilibrium, and perverting the operation of its principles, actually reduce the circulation of those banks below the probable amount which they would enjoy in a joint and equally protected participation in the privilege with the Bank of the United States. This embarrassment has been felt by many of the local banks to the south, which have complained that the branches of the Bank of the United States did not issue their notes to relieve them from it, not perceiving that, had they done so, these notes would immediately have been converted into instruments of exchange, and, instead of relieving them, would have increased the evil by adding to the embarrassments of the moneyed concerns of the community.

It is not true, as has been frequently, but falsely, alleged, that the Bank of the United States has any hostility to the local banks; and this committee is ready to demonstrate to the committees of Congress, if particular instances shall be stated, so as to render the subject susceptible of proof, that this is a calumny without the most slender foundation, and, on the contrary, they are ready to shew signal instances in which it has fostered and sustained the local institutions. The Bank of the United States has always acted under the impression that its own prosperity was inseparably connected with the general prosperity of the country. It is needless, therefore, to say that the change proposed is not intended, while it is very obvious it will have a contrary effect, to lessen the advantages of the local institutions. Its object is to use its privileges with fair and reasonable advantage, in a manner which will not impair, but advance the public good. The regulation of which it complains is practically equivalent to an absolute prohibition to issue any notes in the western states, and to a like prohibition to issue them to the south of the Potomac, during six months in the year, while the collection of the revenue, the convenience of all classes of the people in these quarters of the Union, and the restoration and perpetuation of a sound currency, all require them to be issued largely and diffused widely.

The remedy for all these evils is to make the notes receivable by the government only where they are payable. To this general rule, without materially impeding the attainment of the object, there may be some exceptions. Indeed these exceptions may even advance the general object, while they will serve other important purposes. The following may be safely allowed:

1. Let the notes of the parent bank be received every where.
2. Let the notes of the office at Washington be received every where.
3. Let all the notes of the bank and its offices be received in the states and territories where the bank has no establishment.
4. Let the five dollar bills of the bank and all the offices be received every where.

These exceptions ought to satisfy the advocates of the present regulation, because they will much more effectually than the general rule carry their views into effect, while they will produce few or none of the evils resulting from that regulation. The privilege given to the notes of the office at Washington alone will be in itself a much greater advantage to the government and its agents, than all the conceivable advantages (the evils aside) of the present regulation. It will render unnecessary a direct and sudden draft of the government funds, from the places where they may have been collected, to Washington, where they will be wanted, and it will save the bank the trouble and expense, and the bank and government the odium of the transfer. The exception of five dollar notes will confirm and enforce the existing regulation of the bank, which directs the receipt and payment of notes of this denomination, as well of the bank as of the offices, at all the establishments of the bank. The proposed change rests entirely with the government. It affects no part of the charter. The existing rule is a regulation entirely under the control of Congress. Let it, therefore, be remembered, that if the proposed change be made, and it be found not to be useful and salutary, it may be repealed at the next, or any other session of Congress—it will confer no right upon the bank. Is it not, then, manifest that great evils exist from the present regulation? Is there any concomitant advantage, except that enjoyed by the lowest class of money dealers? Is there any possible danger that can result from a change by way of experiment? May we not hope, then, that the experiment may be made?

Finally, the committee beg leave to remark that it is not true, as has been represented, that the bank is asking new privileges of Congress. Is it a new privilege which would remove a restraint whose operation denies to the institution the services of safe and competent managers? Is it a new privilege which would punish great crimes with adequate punishments? Is it a new privilege which would merely substitute one class of agents in the place of another, for the discharge of a duty consisting entirely of manual labor? In fine, is it a new privilege to the bank, for the government not to receive its notes in a manner productive of great public evil, because it will combine a benefit to the bank with the public good? Are they not mere modifications of existing privileges, or the exclusive exercise by government of its own rights, for the public advantage?

The statement annexed, marked A. will shew the evil and embarrassing effects of the existing regulation, when the notes of the offices to the south and west were freely issued, on the distribution of the capital of the bank. It will appear from it, that, at the date of that statement, notwithstanding great exertions had been made to place and keep capital at Boston, the effect not only failed, but that the office at that place had less than no capital by $372,000— that is to say, that the bank was indebted to it that sum; and that the office established in the great commercial city of New York had no more than $245,000 of the immense capital of the bank.

The statement annexed marked B will shew the immense amount of the branch notes which have been redeemed where they were not payable.

Accompanying this communication, the committee of Congress will also receive a list of the stockholders of the bank on the 1st October, 1820, which will enable them to see who are now the stockholders, from which it will, it is believed, appear that they have been justly characterised by the memorial.

A.

Distribution of the Capital of the Bank of the United States, May 28, 1819.

Portsmouth		117,678 70
Providence		335,208 54
Middletown		255,985 11
New York		245,287 81
Baltimore		5,646,325 28
Washington		555,737 97
Richmond		1,760,502 88
Norfolk		861,764 16
Fayetteville		677,963 81
Charleston		1,935,042 35
Savannah		1,420,543 45
New Orleans		1,664,596 47
Lexington		1,502,388 44
Cincinnati		2,400,287 30
Louisville		1,129,009 00
Chilicothe		649,858 83
Pittsburg		769,031 36
Philadelphia	13,418,742 96	
Deduct this sum due to the office at Boston	372,825 79	
		13,045,917 17
Dollars,		34,973,828 63

This statement of the capital at Philadelphia is merely nominal, if considered as a capital for the proper operations of banking, as in the above sum are embraced all the property and debts due the institution, including therein the five per cent. stock which the government subscribed, debts due by state banks, &c. &c.

It is proper to add, that, since the date of this statement, the necessary restraint put upon the issues of the notes of the offices to the South, at seasons when the exchanges are unfavorable to them, and upon those of the West, at all seasons, the exchanges being always unfavorable to them, has enabled the bank, by great efforts and great vigilance, to place and keep adequate capitals at all points.

B.

The following sums in branch notes received at the Bank of the United States have been disposed of as follows:

OFFICES.	Returned to Offices.	Notes of Offices destroyed.	Notes of Offices on hand.	Total redeemed at Parent Bank.
Portsmouth	25,310	100	2,775	28,185
Boston	32,575	142,655	3,215	178,445
Providence	21,640	570	1,780	23,990
Middletown	42,920	920	10,885	54,225
New York	373,490	812,330	29,240	1,215,060
Baltimore	2,111,405	214,540	1,730	2,327,675
Washington	3,467,370	28,375	54,885	3,550,630
Norfolk	451,550	13,520	18,725	483,795
Richmond	922,439	9,610	16,120	948,169
Fayetteville	301,308	259,980	7,190	568,478
Charleston	611,799	128,580	12,850	753,229
Savannah	969,055	479,440	11,730	1,460,225
New Orleans	420,115	195,010	30,040	645,165
Louisville	27,550	222,210	94,340	344,100
Lexington	170,280	379,500	84,800	634,580
Cincinnatti	198,000	492,540	119,010	809,550
Chilicothe	26,000	227,360	33,850	287,210
Pittsburg	248,750	290,790	41,410	580,950
Dollars,	10,421,556	3,898,030	574,075	14,893,661

To the foregoing amount of - -	14,893,661
There ought to be added this amount of post notes issued by the parent bank and destroyed; because they were used in the southern and western states in lieu of branch notes, - - - -	5,528,981 96
Amount redeemed, - - -	$20,422,642 96

The sum thus redeemed is exclusive of considerable sums in branch notes, received at offices other than those which issued them, and which were not returned through the parent bank, but directly from the offices which redeemed them to the offices which had issued them.

JAMES HOUSTON, *Assistant Cashier.*

BANK OF THE UNITED STATES,
December 7th, 1820.

END OF
TITLE